

STATE OF THE DUTCH FINTECH MARKET 2020

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FOREWORD



Don Ginsel
CEO Holland Fintech / Chairman Fintech AERA Foundation

“ *The European fintech sector is one of the most dynamic, active and sizeable in Europe. Both from a startup perspective and from the traditional financial services side the sector is characterized by a vibrant ecosystem, with many tech companies but also a very strong innovation drive with incumbent financial institutions.* ”

The financial services market is one of the most digitized sectors, and increasingly the lines between tech and finance are blurred. There hardly is any finance without a tech. Therefore, we always view fintech to be an activity or solution, rather than a type of company or business. That means that all actors in and around the financial industry can participate.

Fintech solutions help businesses as well as consumers to better control and leverage financial processes and financial challenges, as they better interact with data, tools and means outside the financial domain and get much closer to the desired experience, via smart phones or integrations via API's into places already familiar to the user. That makes fintech solutions mostly easy to adopt for the end user and the acceptance of innovation very natural. Especially for the digitally savvy.

Another category of fintech solutions is mostly invisible to end users: the tech suppliers to financial services providers. With the rise of API's (Application programmable Interfaces – allowing for computer to computer collaboration) financial services were for the first time benefitting from a more complex value chain, allowing for a surge in micro services and specialist suppliers to support any party providing financial services or products. Many

fintech solutions are provided by parties that are not financially licensed themselves but do provide all the means that licensed parties need to operate and succeed!

Fintech solutions can be found across all fields of financial services. From the core infrastructure to complete technology backbones, up to complete financial products and advisory services. Think about payments, banking, trading, financing, analysing, investing, insuring, administrating and much more activities with a financial background. But also underlying technologies like Artificial Intelligence and data analytics, cryptocurrency tokens and api's and security technology are part of the stack.

Our core belief is that having access to and understanding of these solutions is essential for consumers and businesses, to be able to strengthen their financial position and gain economic potential. We see it as a key driver for a successful economy, in particular while the economy is becoming more digital every day. Especially the recent challenges for people, companies and the economy due to the Covid-19 outbreak, have once again accelerated the adoption of digital ways of working, and increased also the use of fintech solutions by financial services companies as well as end users. The current crisis following the Covid-19 outbreak, teaches us again that with further digitization, also cybersecurity threats are on the rise. That is another argument to



enhance the knowledge people have about the digital space and know their way around the tools that are available, especially when they can help keep their data and finances safe.

The research that we have conducted for this report, shows the state of the Dutch market with regards to fintech. It shows that the fintech industry has grown fast over the past year and is relatively resilient to the current crisis. There are also worries though, as increased regulatory pressure and a financial services unfriendly political environment are limiting the number of new starts into the industry and place a tough burden on existing players. It also decreases the attractiveness for foreign companies to locate in the Dutch market, which hurts especially while many financial services companies are migrating due to Brexit.

Holland Fintech has since 2014 provided access to knowledge, network, investment, and talent, to facilitate parties that build and consume fintech solutions.

We are very committed to give more people access to the power fintech solutions can provide. And it all starts with knowledge. We are very happy that we have been able to work with our extensive member base of companies active in financial services and technology, to conduct this detailed analysis of the market. Together with Fintech ÆERA Foundation, the European thinktank for technology driven financial inclusion, we initiated a survey to measure and validate the market pulse. As the industry faces uncertain times, making decisions based on solid data is more important than ever.

We are thankful for the active members that have helped us shape this report and shared their vision with us. Off course we welcome any input from our network to further this research initiative. Together with Fintech ÆERA we are looking forward to provide people, businesses and governments better insights into the fintech ecosystem with market data & insights that will help them make well informed decisions.

INTRODUCTION

As the industry faces uncertain times, making decisions based on solid data is more important than ever before. Through the 250+ events that we annually host for our members we gather many ad hoc insights on trends and development in the industry.

For the production of this report, we have used our extensive member base to conduct a more detailed analysis of the market. Together with Fintech Aera, the European think-tank in the fintech industry, Holland Fintech initiated a member survey to measure and validate the current market pulse, resulting in this State of the Market report. As stated before, we view fintech to be an activity or solution, rather than a type of company or business. More specifically we define the fintech market as:

"Any innovative application, process, product, or service that improves financial service processes by proposing a technology-based solution - while these apps, processes, products or services can lead to new business models or new businesses. These innovative apps, processes, products or services can be deployed within the financial industry as well as in any other industry."

The data presented in this insight were collected just prior and just after the Corona outbreak which affected the results, though only partially. As the crisis that no doubt will follow the lockdown, will have its impact on the future of the industry we addressed questions that were impacted the most in a separate chapter. As 'before' and 'after' date we used the announcement of the lockdown (15th March).

In essence, the survey results show an optimistic state of mind in the Dutch fintech industry. Some key findings from the survey include:

1. Fintech's with a predominant **tech focus** or **tech driven solution** outperform in the market
2. **Collaboration** should be seen as a strategic imperative to further grow and expand business opportunity.
3. **App to app integration** is the most important driver on the technology side.

Even though confidence in the economic outlook and consumer confidence dropped significantly after the intelligent lockdown was announced, the Dutch Fintech industry still sees enough business opportunities for continued growth.

If you are interested to learn more about this research or the work Fintech AERA does in Europe, please contact us [here](#).

KEY FINDINGS



Fintech's with a predominant **tech focus** or **tech driven solution** outperform in the market



International connectedness of the Netherlands will bridge the gap



Positive sentiment heavily impacted by COVID-19



Partnerships are the Achilles Heel of the industry



App to app integration considered the Holy Grail in tech



Accelerated **digital transition** is forced upon many in the industry



Collaboration is a strategic imperative for growth & expansion



Regulatory pressure is perceived to have the highest impact on the fintech sector



Post COVID-19 the **macroeconomic environment** and **cost & margin pressure** have the highest impact



Cloud adoption Amazon and Microsoft lead Fintech cloud adoption



Financial inclusion & sustainability considered important and crucial but not backed by Fintech's



PART 1

DUTCH FINTECH MARKET

This chapter analyses market trends & developments in the Netherlands, who were the fastest growers, which investment deals were made and what were the major acquisitions.

1.1 DUTCH FINTECH MARKET GROWTH IN 2019

Companies with an equal balance between tech and finance outperform

As stated before, we define fintech as: "Any innovative application, process, product, or service that improves financial service processes by proposing a technology-based solution - while these apps, processes, products or services can lead to new business models or new businesses. These innovative apps, processes, products or services can be deployed within the financial industry as well as in any other industry."

At the same time, the definition above does not define a type of vendor or financial services provider who is a typical fintech, only emphasizing that the market has a wide variety of actors. To evaluate actors in the fintech space though we do need to segment and categorize them as not to include any vendor that offers an online payment option.

In our ranking we therefore segment the following categories:

Tech Vendors

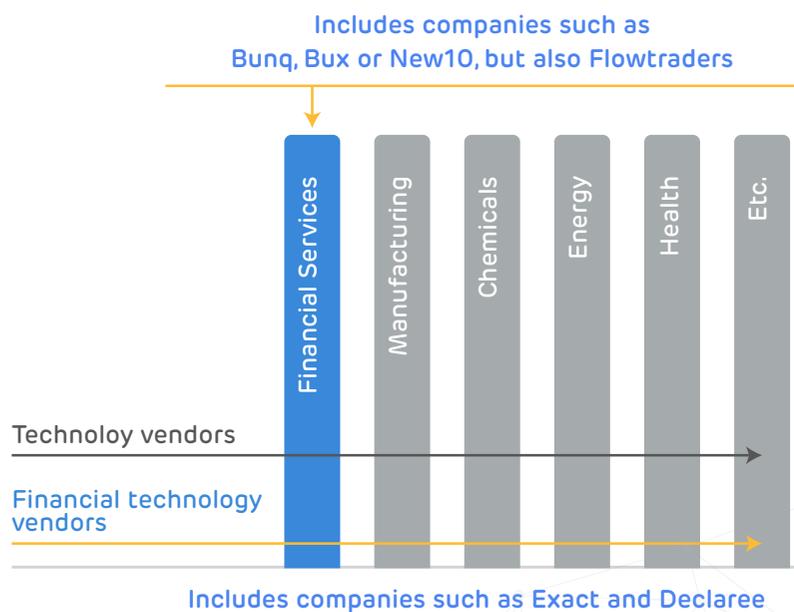
- IT vendors that provide apps, services, products and derive more than 30% of their revenue from Licensed Financial Service Providers (Topicus, Levi9)
- IT vendors who offer financial apps, services or products that improve financial processes (Tink, Ohpen, 5Degrees)

Licensed Financial Services Providers (FSP)

- FSP's who hold a license from any financial service regulator (Adyen, Bunq, ING, New10)
- FSP's who sell, market or distribute a digital enabled and financial solution (Adyen, Keylane)

Non-Licensed financial services or product providers

- FSP's who offer financial apps, services or products that improve financial processes (Exact, Declaree)



Source: Holland Fintech

1.2 DUTCH FINTECH INVESTMENTS 2015-2019

VC investments in fintech remain substantial

Holland Fintech's Top 20 – by Growth, 2019

	Name	Founding year	YoY Growth 2019 %	Growth Indicator
1	Factris	2017	71%	16,0
2	GeoPhy	2014	66%	20,2
3	Onegini	2012	57%	9,6
4	24Sessions	2015	42%	6,8
5	Mollie	2004	40%	10,7
6	FranX	2017	39%	14,3
7	InnoValor	2013	36%	4,9
8	STX Group	2005	34%	8,1
9	Adyen	2006	34%	93,2
10	New10	2017	33%	29,7
11	Creative Group	2003	32%	7,0
12	BackBase	2003	31%	42,1
13	Cobase	2017	31%	11,3
14	Florijn (InvoiceFinance)	2015	29%	8,8
15	Owlin	2012	29%	5,5
16	Billink	2011	29%	2,4
17	Peaks	2016	28%	14,8
18	Bunq	2012	24%	15,3
19	Sustainalytics	1992	23%	20,0
20	Yuki	2009	21%	10,8

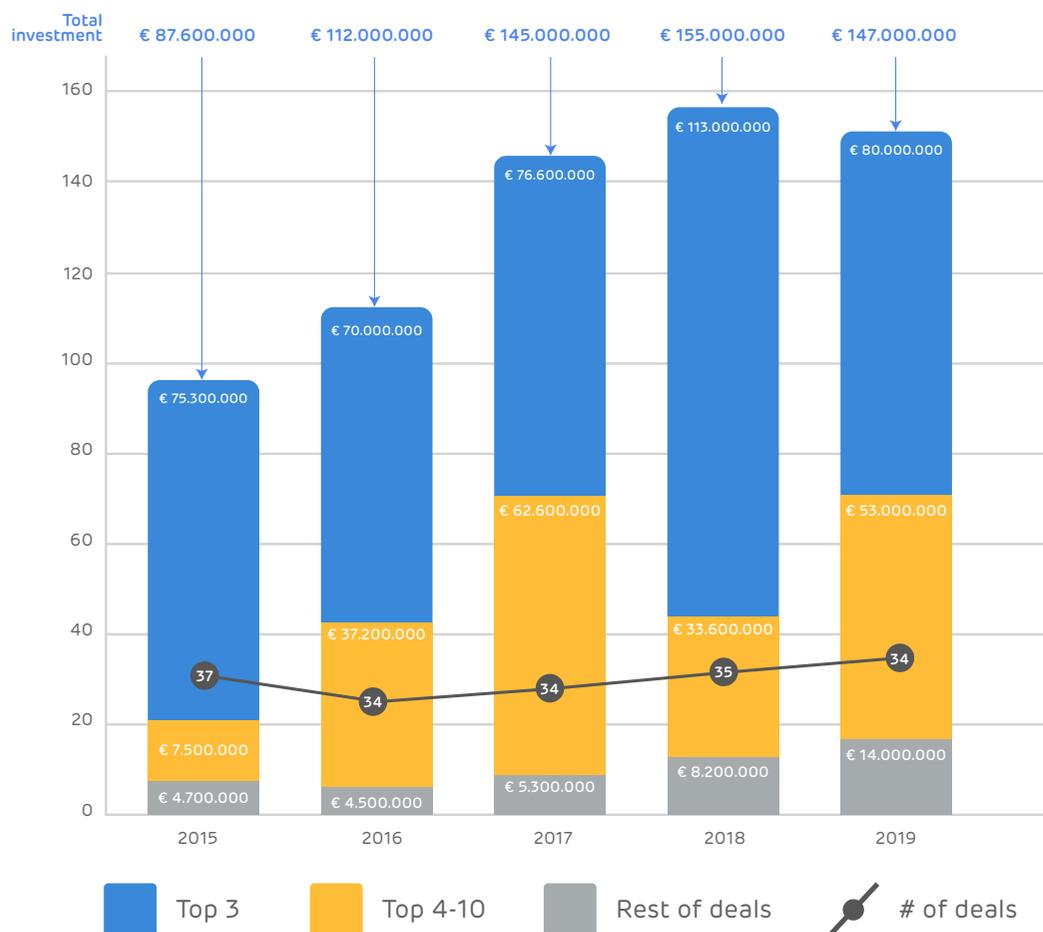
Source: dealroom.co, Holland Fintech

Overall the top 20 is dominated by those companies that have a strong tech component or offer a tech driven solution, confirming that tech is the predominant driver for fintech adoption. The Dutch fintech market is characterized by a limited number of large companies, followed by a large number of smaller companies. The top 20 in growth employs almost 4.000, a 25% increase compared to 2018. In addition, the fastest growers are relatively young, 65% was not founded before 2010. The table not only lists year-on-year growth, but also growth since the founding dates. Adyen, Backbase and Sustainalytics show that they have been able to grow substantially since their inception, creating a valuable economic impact.

In 2019, Factris, Geophy and Onegini saw the largest growth, in number of employees. Though all have a very distinct offering they also are very tech driven companies. Factris offers an online platform with financing solutions for the SMB market, Geophy uses data science and AI-powered valuation solutions to value commercial property, Onegini offers secure identity cloud offerings for regulated industries. This top 3 is indicative of the current trends in fintech, where we see an increased focus on alternative finance platforms, continued growth of sub segments like regtech, legaltech, wealthtech, Proptech and insurtech, and the increased focus on secure identity solutions.

*Top 20 based on the Holland Fintech segmentation, including companies with more than 20 employees.

Dutch Fintech Funding 2015-2019 (M Euro, number of deals)



Source: dealroom.co, Holland Fintech

Dutch Fintech investments in 2019 saw a minor decline compared to Fintech investments' record year 2018, reaching comparable levels to 2017. Total investments in the Netherlands reached €148M euro, excluding the investments associated with grants and acquisitions in 2019.

In 2019, 40 Dutch fintech companies received funding, the top 3 was responsible for 54% of the total amount invested. The top 10 altogether accounted for 36% and the remaining investments accounted for 10%. Top 3 investments in 2019 were Geophy (€ 33M), Brand New Day (€ 25M) & Mollie (€ 25M).

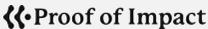
The slight decline is in line with the global trend, where pure Fintech investments seem to have reached their peak. This decline by no means signals a decline in interest, merely a shift in focus. In Europe, fintech remains the largest venture capital investment category, with 20% of all venture capital invested in fintech.

Subsegments such as regtech, legaltech, wealthtech, proptech and insurtech are on the rise. In addition, enabling technologies, such as robo-advisory, AI, biometrics, blockchain, API's and data analytics tools transition the fintech industry into a more mature phase. As these technologies are broadly applicable and cover more than just the financial services industry, not all of these investments are included in the fintech funding numbers. However, these enabling technologies continue to spur investments in the Fintech scene, emphasizing the tech side more than ever.

1.3 DUTCH FINTECH INVESTMENT DEALS – 2019

Fintech VC Deals by size

Amount (€)	Company	Website	HQ City	Date	Launch Date
33.000.000	 GEOPHY	http://www.geophy.com	Delft	Jan 19	2014
25.000.000	 brand new DAY	https://www.brandnewday.nl/	Amsterdam	Mar 19	2010
25.000.000	 mollie	https://www.mollie.com	Amsterdam	Jul 19	2004
22.000.000	 CreativeGroup	http://cg.nl	Amsterdam	Jun 19	2003
11.400.000	 BUX	http://getbux.com/	Amsterdam	Jun 19	2013
9.400.000	 floryn	https://www.invoicefinance.com	's-Hertogenbosch	Dec 19	2015
3.100.000	 Owlin	http://owlin.com/	Amsterdam	Jun 19	2012
3.000.000	 Orderchamp	https://www.orderchamp.com	Amsterdam	Sep 19	2019
2.800.000	 dealroom.co	https://dealroom.co	Amsterdam	Dec 19	2013
2.000.000	 blanco	https://blanco.services	Amsterdam	Apr 19	2015
2.000.000	 FINTURI	https://finturi.com	The Hague	Mar 19	2018
1.600.000	 de Windcentrale	http://windcentrale.nl	Amsterdam	Oct 19	2010
1.300.000	 nestegg	https://nestegg.eu	Heerlen	Jan 19	2017
1.200.000	 tykn	https://tykn.tech/	Den Haag	May 19	2016
1.000.000	 billink.	http://www.billink.nl/	Rotterdam	Jan 19	2011
1.000.000	 lendahand	http://lendahand.com	Rotterdam	May 19	2013
1.000.000	 TAXMODEL	https://tax-model.com/	's-Hertogenbosch	Jan 19	2005
660.000	 flowyour.money	http://flowyour.money		Nov 19	2018
50.000	 DYME	https://dyme.app	Amsterdam	Sep 19	2018

Amount (€)	Company	Website	HQ City	Date	Launch Date
400.000	 Kinder	https://kinder.world/about	Amsterdam	Mar 19	2016
350.000	 PEAKZ	https://www.peakz.com	Amsterdam	Jan 19	2019
340.000	 LEAPFUNDER	http://leapfunder.com	Amsterdam	May 19	2014
150.000	 Buddy	https://buddypayment.nl	Rotterdam	Nov 19	2018
130.000	 DODORE	http://dodore.co.ke/	Amsterdam	Jan 19	2013
10.000		https://www.sevi.io	Utrecht	Apr 19	2018
100.000	 topicus	http://www.topicus.nl/	Deventer	Feb 19	2001
NA	 AxonIQ	https://axoniq.io/	Amsterdam	May 19	2017
NA	 COCOA	http://cocoa-corp.com		Nov 19	2011
NA	 declaree	http://www.declaree.com	Rotterdam	Jun 19	2012
NA	 ohpen	http://www.ohpen.com/	Amsterdam	Apr 19	2009
NA		https://www.okit.com/	Amsterdam	Mar 19	2012
NA	 Proof of Impact	https://proofofimpact.com/	Amsterdam	Dec 19	2017
NA	 G:DR	https://www.wearegoodr.com/	Groningen	Apr 19	2015
Total 147.990.000					

Source: dealroom.co, Holland Fintech

1.4 DUTCH FINTECH ACQUISITIONS

Fintech acquisitions by size

On a global level, 2019 was a record year when it comes to fintech mergers & acquisitions. 2019 saw big players like Visa, Mastercard and PayPal acquiring Plaid, Nets Group's payments unit and iZettle respectively. The industry was further characterized by two of the largest fintech acquisitions so far: **Fiserv acquiring First data (€19.4 billion) and FIS acquiring Worldpay for the record amount of €30 billion.**

The Netherlands had its share of acquisitions as well. **In 2019, 6 companies were acquired. Major acquisitions in 2019 were SRXP, Secondfloor, BinckBank, Venn Hypotheken, DEGIRO, AIRS, with the Binckbank acquisition being the largest one, Danish Saxo Bank agreed to purchase BinckBank for €424 million.**

Date	Company	Website	HQ City	Details	Launch Date
Jan 19	 SRXP <small>ROCKET EXPENSE COSTS</small>	https://www.srxp.com/	Amsterdam	Acquired by Exact	2010
May 19	 SecondFloor	https://www.secondfloor.com/	Amsterdam	Acquired by German based Cleversoft	2005
Jun 19	 AEROJET ROCKETDYNE	http://www.rocketdna.com	Amsterdam	Acquisitions	2018
Aug 19	 BINCK BANK	https://www.binck.com/nl/corporate/	Amsterdam	Acquired by Denmark based Saxo for appr 424M Euro	2000
Nov 19	 venn HYPOTHEKEN	https://www.vennhypotheeken.nl/	Breda	NN Investment partners acquired a majority stake	2016
Dec 19	 DEGIRO	http://degiro.eu	Amsterdam	Acquired by German based Latex AG for Euro 250M	2013
Dec 19	 AIRS	http://www.airs.nl/	Utrecht	Acquired by Dutch Fintech Blanco	2003
Total				€ 674.050.000	

Source: dealroom.co, Holland Fintech



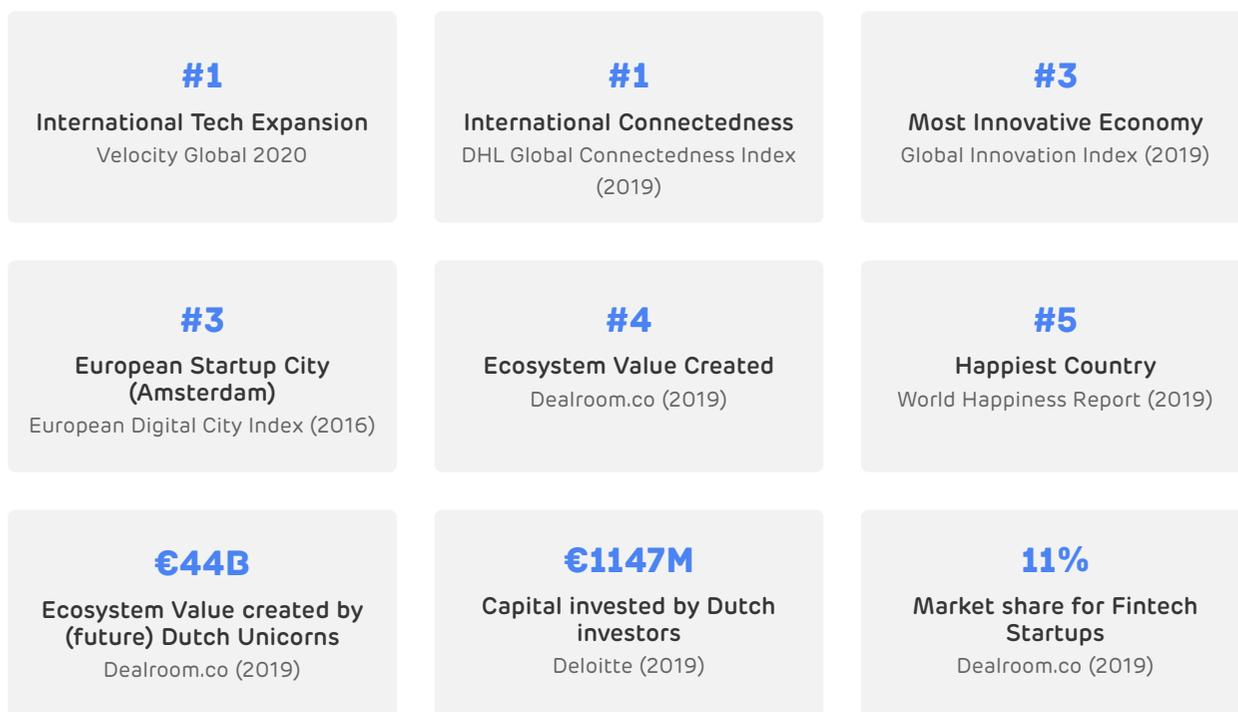
PART 2: DUTCH FINTECH BUSINESS CLIMATE

This chapter analyses the Dutch business climate in general and more specifically for the Dutch fintech sector.

2.1 DUTCH BUSINESS CLIMATE - GENERAL

Business climate for finance, tech & startups

The Dutch business climate in general is considered to be a very healthy one. The Netherlands has an excellent infrastructure (digital as well as physical), is well educated, is known for its high language abilities, and GDP per habitant is high. In many of the country rankings or comparisons the Netherlands usually surfaces in the top 5, as illustrated in the tiles below.



The financial services industry in the Netherlands is stable and has been so for decades. Stability, continuity and innovation are key focus points for financial institutions in the Netherlands and supported by the government. As the Dutch are very internationally oriented, the Netherlands is considered a desirable location for major financial institutions.

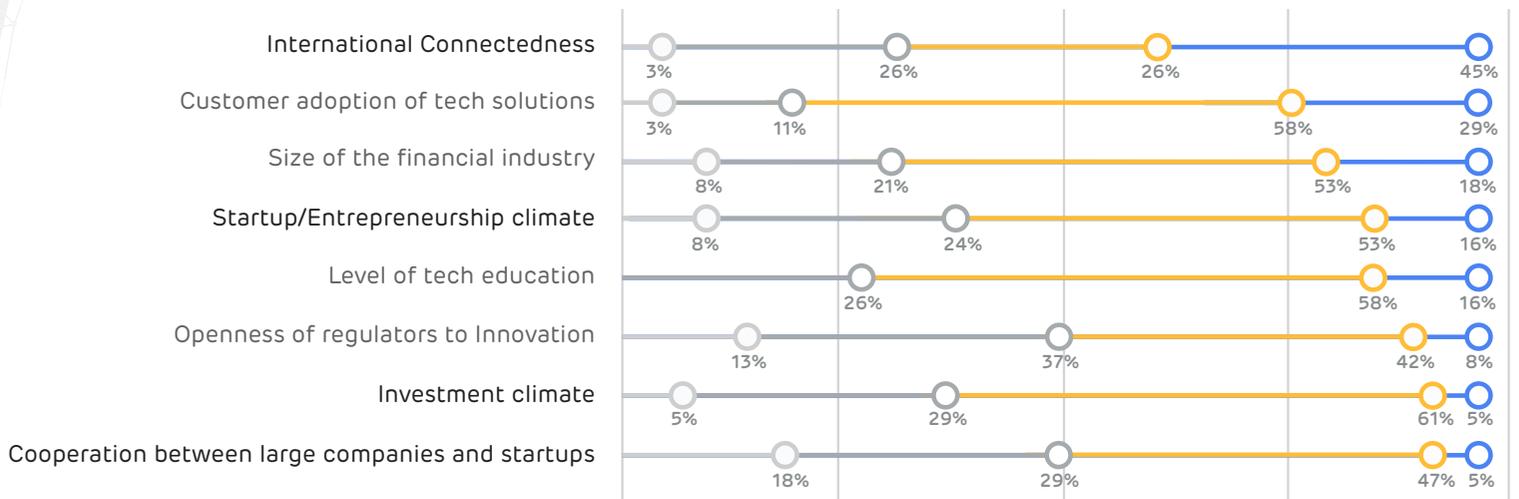
To top it off, The Netherlands is known for its modern legislation for financial sector oversight and there is a favourable tax climate. The Netherlands has a well-developed and integrated capital market, and as there is a positive correlation between financial sector development and economic growth, this contributes to growth through various channels.

In addition, the tech scene is well developed, with a number of technical universities, a lively tech start-up scene, and strong entrepreneurial support from the Dutch government. As such many tech companies choose the Netherlands as their European HQ, or set up offices in the Netherlands, including: IBM, SAP, Salesforce, Microsoft, Google, Cisco Systems, Plaid and Tesla. These internationals complement the ecosystem that already houses Dutch native fintech oriented companies such as Philips, Adyen, ASML, NXP, Bunq, Ohpen and Bux.

2.2 POSITIVE BUSINESS CLIMATE FINTECH SECTOR

International focus key strength of the Dutch Fintech scene

Dutch Fintech Conditions



Source: Holland Fintech

○ Poor / limited conditions ○ Neutral ○ Good conditions ○ Excellent conditions

Respondents were asked to rate various Fintech conditions in the Netherlands. Clearly, the international connectedness as well as the customer adoption of tech solutions are both highly ranked by the respondents.

The international connectedness of the Netherlands has always been one of the key strengths of the country. For the fintech industry this might be even more important. Even though the Netherlands is relatively small, it does rank highly when it comes to financial activity. The country's relatively small size actually makes it a necessity to operate on a more regional or global level. This 'forced' international focus benefits the Fintech sector as it opens a vast array of potential financial services that can and should be easy to distribute across the border. This might be one of the strengths that the fintech industry will need to rely and build upon post COVID-19.

For the Fintech industry it is also beneficial that the **Dutch are fast adopters when it comes to technology solutions.** This ranked as one of the key strengths of the Dutch fintech climate. The fact that the Netherlands is a highly digitized country, there is a favorable start-up and entrepreneurial climate, the availability of technical universities (Eindhoven, Delft, Twente) as well as the presence of a diverse tech ecosystem contribute to this element.

The Achilles Heel, as indicated by the respondents, lies in the fact that it is still relatively complicated to achieve successful cooperation between large companies and startups, 18% of the respondents indicate poor conditions here. A missed opportunity as most studies indicate that collaboration is essential to stimulate and grow innovation. In this respect, **collaboration should not be seen as a 'nice to have' but should be seen as a strategic imperative to further grow and expand business opportunity.**



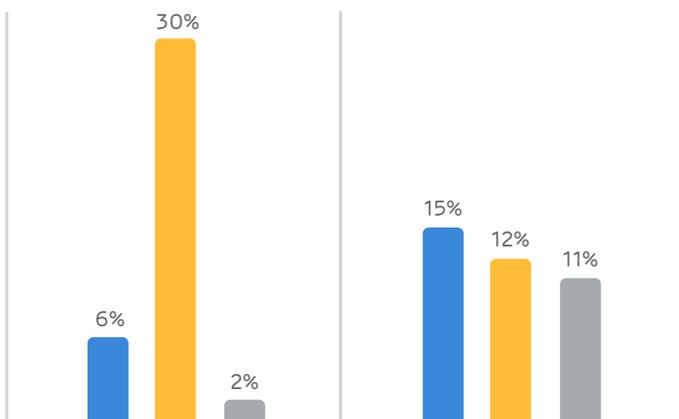
PART 3: DUTCH FINTECH MARKET TRENDS

This chapter details M&A and Partnering activity, tech investments 2019 and planned tech investments for 2020. Cloud adoption in the fintech community and ends with some thoughts on financial inclusion & sustainability.

3.1 M&A AND PARTNERING ACTIVITY

Acquisitions & Consolidation to grow market share

Acquisitions



Has your company made fintech related acquisitions in 2019? Is your company planning fintech related acquisitions in the next 3 years?

■ Yes ■ No ■ Don't know/ No answer

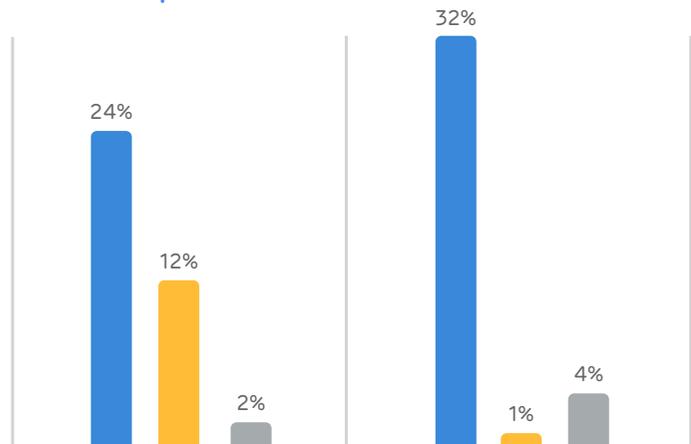
Source: Holland Fintech

Though the fintech market has seen strong autonomous growth over the past decade, the actual growth of new fintech start-ups is decreasing. As the market matures, the number of partnerships and acquisitions will increase. Current economic conditions will spur M&A activity where the ones with cash reserves will aim to consolidate the market.

Respondents have indicated a limited number of acquisitions over the past year, but expressed the intention to increase this number in 2020. The impact of COVID-19 on the Fintech scene will spur acquisitions as smaller Fintech will be challenged by changing business conditions. The larger ones will go on an acquisition quest to acquire smaller firms in distress, and to consolidate and grow their market share. Revolut for example already announced it will use its latest funding round for exactly this purpose.

Major acquisitions in the Dutch fintech sector in 2019 that emphasize a buy & build strategy include DeGiro, which was acquired by German based Latex AG for €250M, the acquisition of BinckBank by Denmark based Saxo for approx €424M, SecondFloor was acquired by German based Cleversoft,

Partnerships



Has your company made fintech related partnerships in 2019? Is your company planning fintech related partnerships in the next 3 years?

■ Yes ■ No ■ Don't know/ No answer

Source: Holland Fintech

AIRS was acquired by Dutch Fintech Blanco, and SRXP which was acquired by Dutch Exact. The acquisition of BinkBank has been one of the largest in the Dutch Fintech scene.

Noteworthy is the fact that the acquisitions have mostly been made by European companies, showing not only the maturity of the Dutch fintech scene, but also the growth of the European fintech ecosystem.

Partnerships are more common in the fintech community than acquisitions, respondents mentioned 24 signed partnerships in 2019, and 32 plan to sign additional partnerships in 2020.

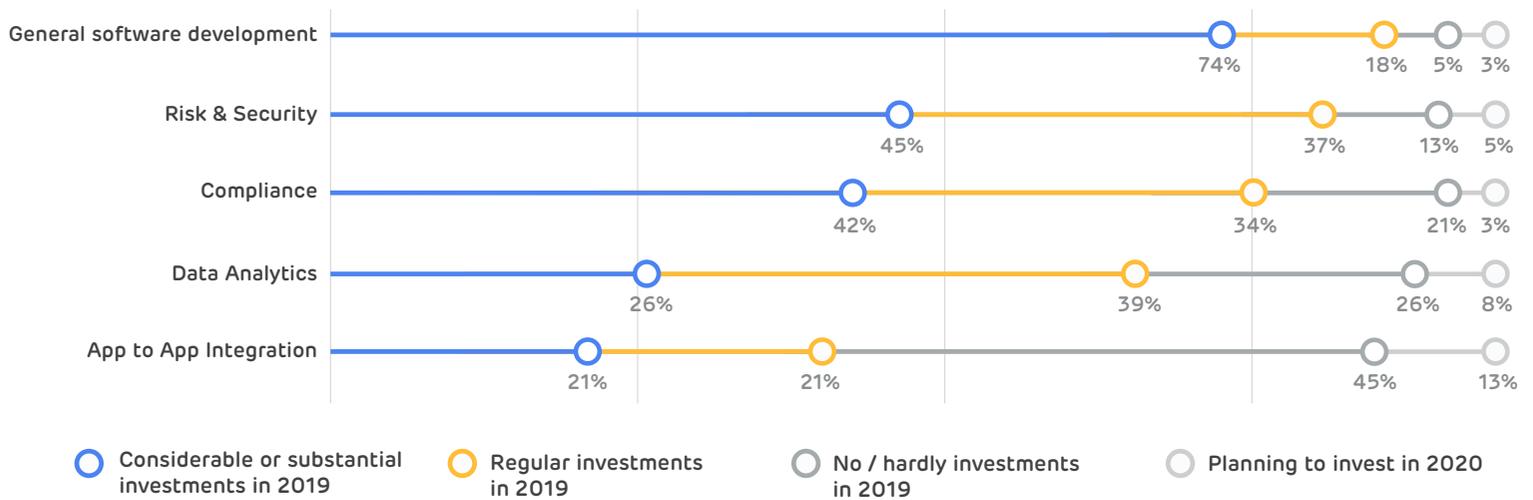
With partnering high on the agenda, companies should probably focus less on the number of partnerships, but more on the actual success of the partnerships. As many indicate that cooperation between larger companies and start-ups is still one of the most challenging issues in the current business climate.

For these numbers, there is no substantial difference before or after the Corona crisis. Note though that respondents represent the overall ecosystem. Some segments are more likely to acquire than others

3.2 TECHNOLOGY INVESTMENTS IN THE FINTECH INDUSTRY

Opportunity in API investments

Technology Investments FinTech Industry



Source: Holland Fintech

Though the financial services sector is characterized by a high level of digitization, the emerging technologies continue to shape, drive and define the market. These technologies attract VC funding and accelerate market developments. Respondents were asked about their technology investment intentions.

General software development – 74% of the respondents indicate that they invested a considerable or substantial amount into general software development this year. General software development includes elements such as security or compliance, but also infrastructure or cloud services for example.

App to app integration - is probably the most dynamic technology area at the moment as it has the largest proportion of respondents planning to invest. With the emergence of open banking, increased data accessibility and interconnectivity, the use of API's in the Fintech sector will be one of the most promising developments to watch for the time to come. With the implementation of PSD2, more and more API opportunities will open up in the financial services industry.

Data analytics – 66% of the respondents mentions that they have made regular or considerable investments in this area over the past year. Collecting the right data, standardizing

and processing it to useable and valuable information remains a challenge for many in the industry. This not only concerns internal data, but the usage of third-party data as well.

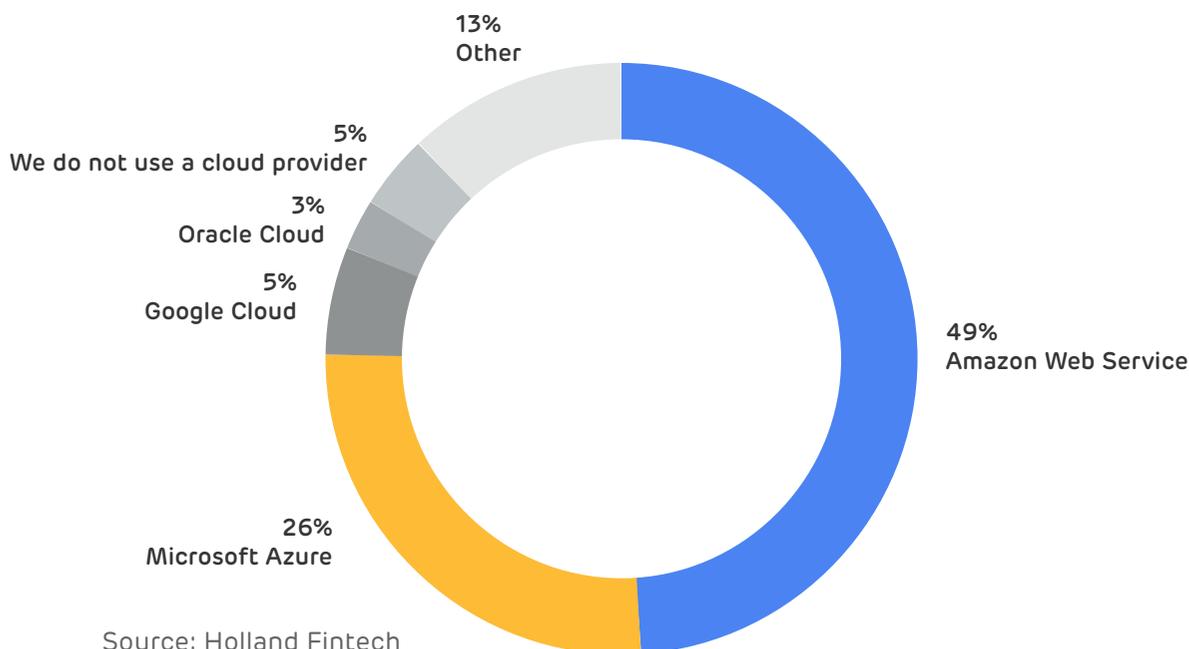
Risk & Security is - and should be - high on the agenda of many in the fintech industry. 82% of the respondents made regular or substantial investments into risk & security in 2020. Fintech's are extremely vulnerable when it comes to data and security breaches. The more an industry gets digitized, the higher the digital or cyber threat will become. With online banking emerging and digitization of banking- and related financial services, this topic will remain high on the agenda for the foreseeable future.

Compliance is high on the agenda of Fintech's as well. Regulation in the area of PSD2 and GDPR, urge fintech's to invest in compliance issues, ranging from AML to KYC initiatives. Especially in the area of Regtech & Supotech this topic is high on the agenda, as the risks of not being compliant not only results in substantial fines, it also causes reputation damage, which maybe harder to overcome.

3.3 CLOUD IN THE DUTCH FINTECH INDUSTRY

Amazon leads the pack

Cloud Provider Fintech Sector 2019



The Dutch market for cloud services continues to grow, especially cloud-based services in the area of application hosting, web hosting, server platforms, as well as storage, backup, security and workplace automation is growing fast in the Netherlands. Leading vendors are Amazon Web Services (AWS), Microsoft and Google. **Cloud market share in the fintech industry, does not differ much from general market shares. Amazon is the main cloud provider among the respondents, followed closely by Microsoft.**

Overall, the financial services industry is highly digitized, and therefore technology adoption rates are relatively high. At the same time, the uptake of cloud services in this industry has been relatively slow, due to concerns on compliance, security and privacy. Ultimately though, the advantages of cloud computing like cost effectiveness, interoperability, scalability, reliability and flexibility are considerable and weigh heavily against concerns in the areas of compliance and industry regulations.

Where the more recent fintech companies are generally cloud native, we now see the more traditional FSPs also shifting to cloud models. The emergence of new banking models combined with digital transformation initiatives and the emergence of new digital players requires a more flexible and scalable IT structure. Where incumbents have traditionally continued to invest in legacy systems, they are now at the tipping point to rethink their technology infrastructure to facilitate digital transformation. This does not necessarily mean an all-or-nothing approach to a cloud infrastructure, but a gradual move is taking place. Especially in the front office area, where customer service and the customer journey are clear distinctive competitive forces and a cloud infrastructure offers substantial benefits this transition is progressing quickly.

3.4 FINANCIAL INCLUSION & SUSTAINABILITY

Backing up the intentions

Financial inclusion
in the
Netherlands

8,2

Financial inclusion
is crucial for
growth

8,0

Company support
for financial
inclusion

6,8

Company
emphasis on
business ethics

8,8

Importance
sustainable
(financial) strategy

8,3

Company support
for a sustainable
strategy

7,5

Financial inclusion is well rooted in the Dutch business climate. Basic access and usage of financial services is available and accessible for most in the Netherlands. The DNB emphasises that everyone should have access to the financial system and everyone should have knowledge of the financial system. As most access to finance goes through digital services, a high emphasis is placed on digital literacy as well.

In general, respondents indicate that financial inclusion is considered important (8,0) for future growth in the Netherlands and financial inclusion is considered well developed (8,2) in the Netherlands as well.

At the same time though – when asked whether their company pro-actively supports and stimulates developments to further financial inclusion, the response is considerably lower (6,8) than what would be expected. In the Netherlands (like many of the developed countries) the discussion is not so much around the actual accessibility and digital literacy but more focused on the type of products, the applicability and complexity of these products. Opening a digital account maybe a piece of cake for everyone but getting into the details of pension schemes or digital trading accounts is not.

Financial inclusion: "A state in which everyone who can use them has access to a range of quality financial services at affordable prices delivered by a range of providers in a competitive market with convenience, dignity and consumer protection to financially capable clients (source: State of Fintech & Financial Inclusion in the Netherlands)"

In 2019 the Netherlands - as one of the first triple A countries - invested in sustainable finance, as the Dutch State Treasury Agency issued a 20-year green bond. The proceeds of the bond will be allocated to (government) expenditures and investments in the areas of renewable energy, energy efficiency, and climate change adaptation undertaken by the government. The DSTA stated that the bid volume reached EUR 21.2bn in just over 90 minutes with a final allocation of just under EUR 6bn, showing the huge interest in sustainable finance.

In addition, ING was awarded 'Green bond of the Year'. ING's green bond raised a total of \$2.9 billion, making it the largest Europe-based financial institution issuer of green bonds to date. New entrants also place high emphasis on sustainability. Bunq for example already planted over 100.000 trees in 4 months, under its Green Card initiative. This is now further expanded to Bunq's SuperGreen initiative, where the company aims to plant one tree for every €100,- spent.

Though the initiatives are promising, there is still a considerable gap between how important this subject is considered as opposed to the company support given to the subject.

Green Digital Finance is defined as: "An intended application of digital finance or fintech towards the achievement of financing for Global Sustainability goals such as the Paris Agreement and/or the SDGs". (source: A Green and Sustainable Digital Finance Landscape; Market Analysis for the Netherlands).



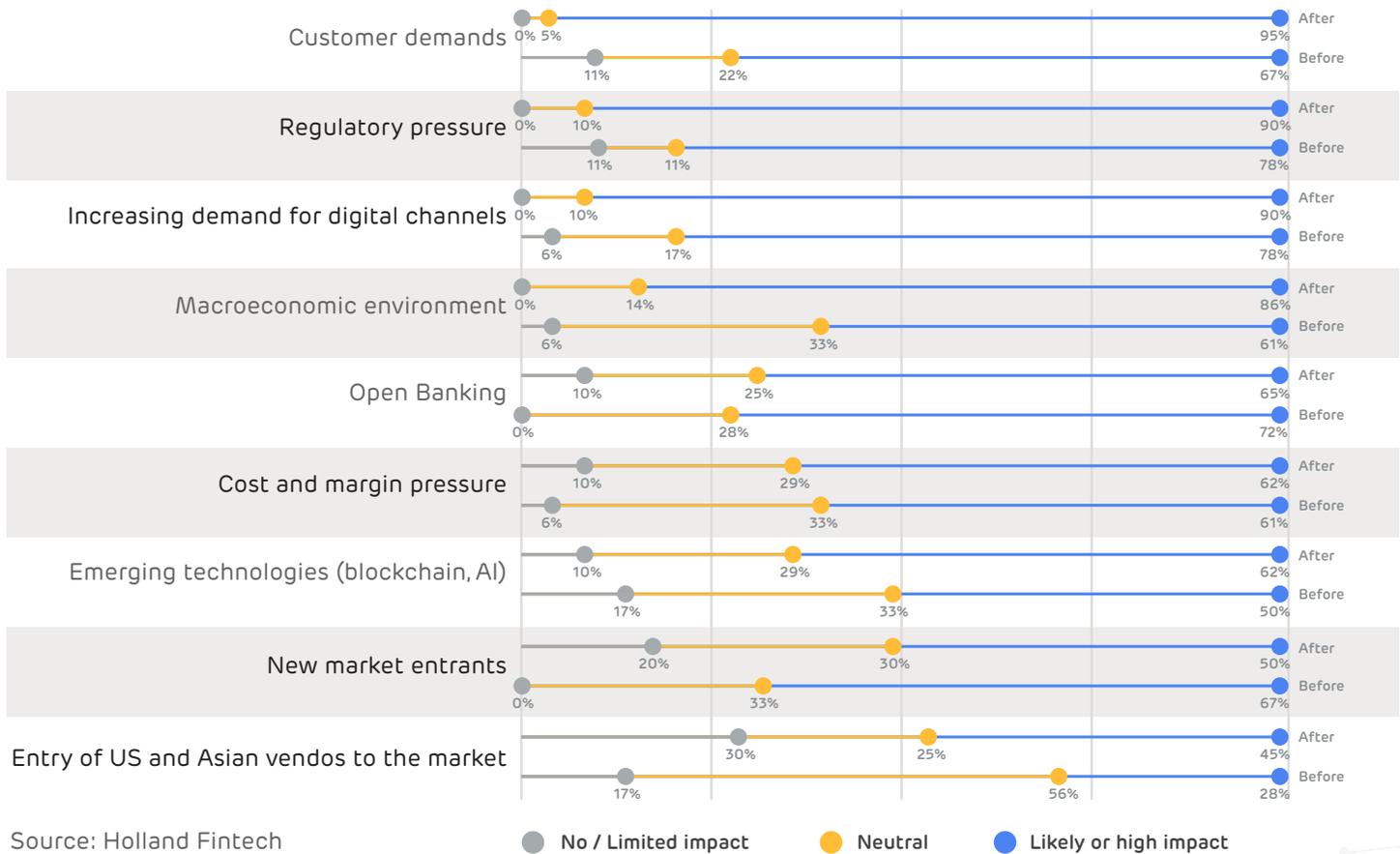
PART 4: IMPACT COVID-19

This chapter details the change of sentiment due to COVID-19. Impact on the business climate and drivers for growth are detailed.

4.1 ELEMENTS THAT IMPACT FINANCIAL SERVICES IN THE NEXT 12 MONTHS

COVID-19 impacts macroeconomic environment and cost & margin pressure

Factors influencing The Financial Services Industry
Average, Before & After Intelligent Lockdown Announcement



Though respondents were still reasonably positive on the business climate and survey results were hardly impacted by COVID-19, this drastically changes when respondents rate the elements that impact the Fintech industry most.

Before the press conference announcing the intelligent lockdown, regulatory pressure as well as an increasing demand for digital channels were considered elements that impact the Fintech scene the most. Both elements remain to be important after the intelligent lockdown. However, since the intelligent lockdown, these elements have become even more important, topped though by the impact of customer demand. Not surprisingly, respondents also indicated the macroeconomic environment to have a higher impact as well.

The fintech sector in general, the increase in demand for digital channels will have a high impact, especially as during the lockdown consumer's digital behavior with respect to financials has seen a strong adoption of digital, which is expected to have a lasting impact.

Remarkable and contrary to what would be expected is the fact that emerging technologies (AI, data analytics, robo-advisory etc.) are not perceived to be of major influence on the fintech industry by the respondents.

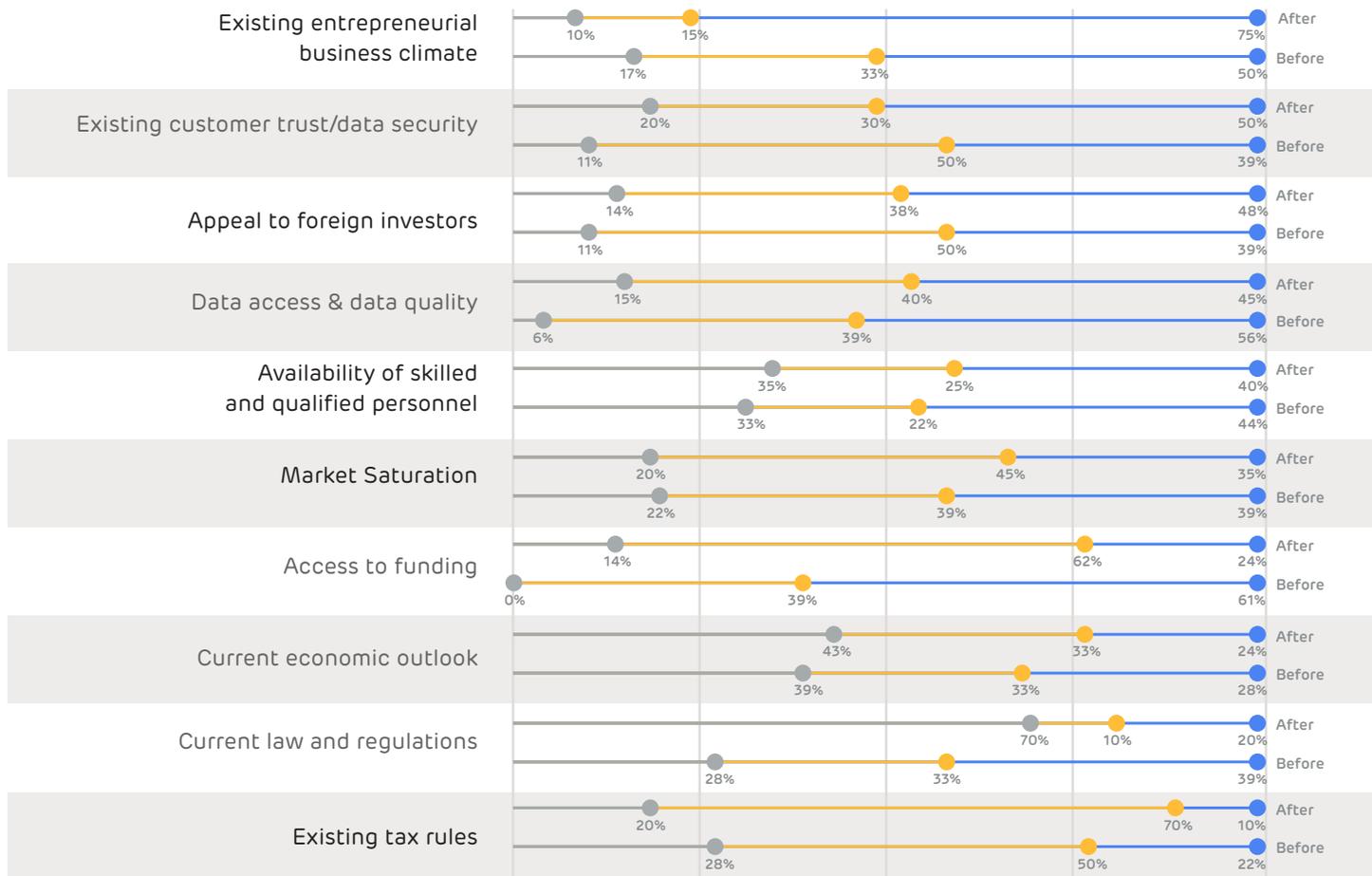
One explanation could be that most companies already implement this technology into their offering and therefore do not perceive this to be a major game changer. Another explanation might be that within the fintech community technology is not perceived as emerging but as a necessary requirement that enables market development.

For the fintech scene it is not all gloom and doom, as there are also companies that flourish in this setting. Especially those companies offering tech solutions to financial service providers are expected to continue to do well, as an accelerated digital transition is forced upon many in the industry. The tech element in fintech becomes even more crucial in the way fintech gets interwoven into the way we integrate fintech into our daily lives. Digital is not something to consider, but crucial to survive post Corona.

4.2 DRIVERS FOR DEVELOPMENT OF THE DUTCH FINTECH SCENE

Faith in entrepreneurial business climate & appeal to foreign investors

Growth Drivers and Inhibitors



Source: Holland Fintech

● No / Limited impact ● Neutral ● Likely or high impact

Access to funding, data access & data quality as well as the entrepreneurial business climate were considered drivers for the Dutch fintech scene, the COVID-19 virus has shifted that completely to the entrepreneurial business climate. Respondents indicate that they expect this to be an important driver for growth post-lockdown. This is followed – though with some distance, by existing customer trust & data quality, assuming that respondents see the developments in open banking and the associated regulation as well as the increase of attention on data security as a driver for customer trust.

At the moment, fairly similar to before the lockdown, the existing tax rules as well as law & regulations are considered to be most important inhibitors. And despite governmental efforts to support and stimulate entrepreneurs, 70% of the respondents state that the current law and regulations will have no or hardly any influence on growth. The biggest shift can be seen in access to funding, where before the lockdown 61% expected this to be a driver for growth, compared to 24% post lockdown.

4.3 DRIVERS FOR DEVELOPMENT OF THE DUTCH FINTECH SCENE

Launching new products, using new technology

Before the Lockdown

76%

Is planning to launch new products in the market

71%

Plans organic growth

71%

Plans to enter into new (vertical) markets

71%

Place higher emphasis on promotion and marketing

59%

Plans to implement new technologies into their offering(s)

Source: Holland Fintech

After the Lockdown

90%

Is planning to launch new products in the market

76%

Plans organic growth

33%

Plans to enter into new (vertical) markets

48%

Place higher emphasis on promotion and marketing

71%

Plans to implement new technologies into their offering(s)

Source: Holland Fintech

When asked what business development opportunities Fintech vendors plan to pursue in 2020, most respondents indicate that they are planning to launch new products into the market. This is no doubt a response to more sophisticated market requirements coming from the customer. **Increasingly customers expect a seamless and personalized banking or financial service experience.** These customer requirements trickle down to corporate requirements who expect the same seamless experience for the financial services they use.

COVID-19 has only spurred the need for more sophisticated and digitized products, resulting in 90% of the respondents stating they plan to introduce new products into the market. **The launch of new products into the market will be paired with the use of new technologies,** as 71% of the respondents indicate that they plan to implement new technologies into their offering.

In the current unstable situation caused by the COVID-19 virus, organic growth has become slightly more important. It is likely that cash reserves will be used to keep the necessary hires, and maintain current market positions. It will be challenging to obtain additional funding for M&A activity, making organic growth a viable alternative for the months to come.

COVID-19 will diminish the expansion to new vertical markets. Maintaining current market positions may be challenging as it is, and **wondering of to new vertical markets will be postponed.** Entry into new markets requires additional promotion and marketing, where budgets are expected to be taking a hit as well. Respondents already indicate that higher emphasis on **promotional and marketing will take a deep dive as well.** When companies actually start to feel the pain following the COVID-19 virus it can be expected that marketing budgets will face severe budget and personnel cuts.

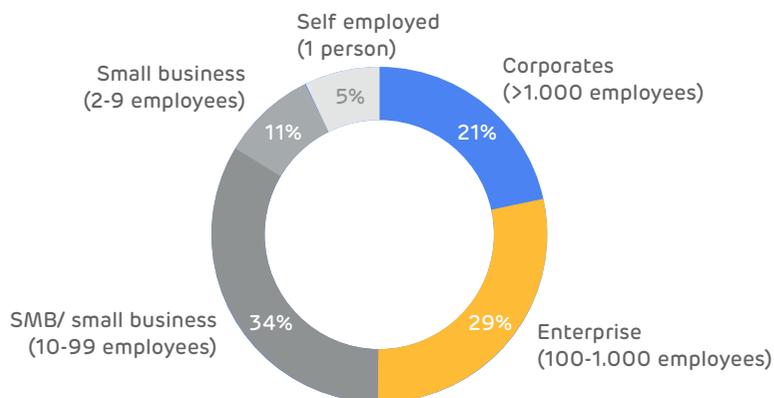


PART 5: METHODOLOGY, ABOUT HOLLAND FINTECH & FINTECH AERA

This chapter provides more insight into the methodology used and the respondent profile.

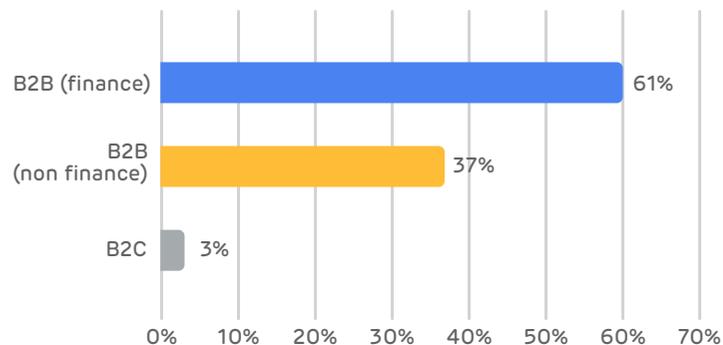
5.1 METHODOLOGY & RESPONDENT PROFILE

Respondents by Customer Focus



Source: Holland Fintech

Respondents by Customer Type



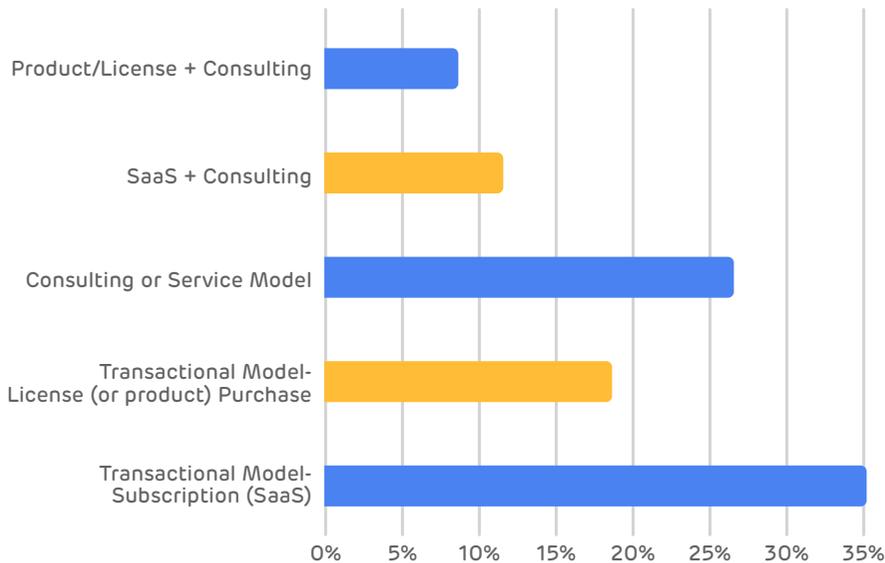
Source: Holland Fintech

Respondents Customer base (multiple answer possible)

12%	7%	7%	7%	
	Asset Managers	Non Financial Companies	Startups	
Banks	6%	5%	5%	4%
9%	Merchants	Accountants	IT Service Providers	Trading Companies
	Insurance Companies	5%	4%	3%
8%	Pension Funds	Governments	3%	3%
	Trust Companies	Investors	2%	2%
			Legal Services	Lawyers
Payments Service Providers	5%	4%	2%	2%
			Regulators	Others

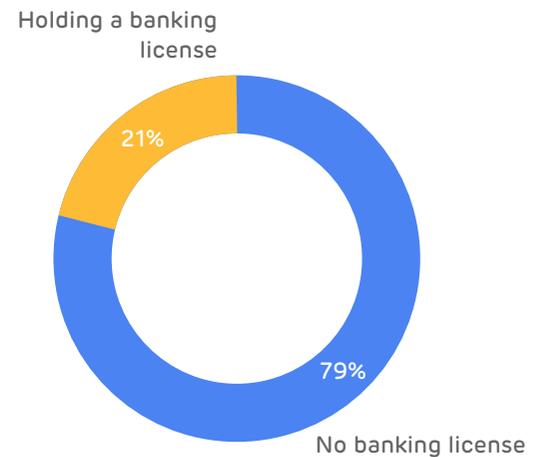
Source: Holland Fintech

Respondents Business Models



Source: Holland Fintech

Respondents Holding a banking license



Source: Holland Fintech

This research effort is a combination of testing the market pulse among the Fintech community. Complemented by extensive data research of the Dutch Fintech sector.

- The target group of the study consists of companies working in the European and Dutch Fintech sector.
- The survey was conducted through a closed-link web survey from January to March 2020.
- The data collection in this study took place via directories of Fintech Aera, supported by local FinTech Hubs.
- In the Netherlands, Holland Fintech pro-actively approached over 300 respondents, of which 40 responded within the research period, a response rate of 15%.
- The respondents are all either based in the Netherlands or Holland Fintech member.
- 60% of the respondents are a B2B fintech company in the finance sector, 37% offer a fintech solution to other sectors, and 3% offers a B2C fintech solution.
- Results were all collected and anonymized by Fintech Aera and aggregated results are presented in this paper.
- Response from other European countries has not been sufficient to publish separate report, these answers have been excluded from the results.

5.2 ABOUT HOLLAND FINTECH & FINTECH AERA

FinTech Aera Foundation is a European Think Tank founded in 2017 dedicated to the advancement of the global FinTech ecosystem for the purpose of furthering financial and digital inclusion. We are driven by our mission of strengthening the effectiveness of the entire industry to advance finance for all. Fintech Aera has developed a signature program, a deep dive research program that allows the industry to take a granular look at specific topics or ecosystems through expert round tables, case studies and public forums. In addition, Fintech Aera offers customized products that provide insights on changing partner dynamics and strategies in the Fintech scene.

Holland Fintech is an independent ecosystem that offer equal chances to all its embers to do business in an ever changing financial value chain. Holland Fintech provides access to knowledge, a network, investment and talent. Since 2014, Holland Fintech connects people and organisations that believe in the power of innovation in financial services, allowing consumers and businesses to profit from progress and development. Holland Fintech connects more than ... members, ranging from traditional parties to innovative start-ups, spread across all product and sector boundaries.

- If you would like to find out more on Fintech Aera, please visit the website, or mail research@fintechaera.com
- If you would like more detail on the Dutch Fintech market, check out our research, or mail research@hollandfintech.com
- If you would like to know more about the Holland Fintech Network and membership, please reach out to growth@hollandfintech.com

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